

20 Year Treasury Bonds Futures

Interest Rate Derivatives | Australia

ASX's 20 Year Treasury Bond Futures contract is the benchmark derivative product for investors trading and hedging longer dated Australian dollar interest rates. The 20 Year Treasury Bond contract is a cost effective tool for enhancing portfolio performance, managing risk and outright trading.

The contract provides an efficient way to gain exposure to longer dated Australian debt markets. With an increasing number of underlying bonds at the 20 year part of the yield curve, the 20 Year Treasury Bond Futures contract is ideal for hedging long term bonds and interest rate swaps, as well as providing a long term investment overlay for participants keen to gain longer term Australian rates exposure

Australian Government Securities Market

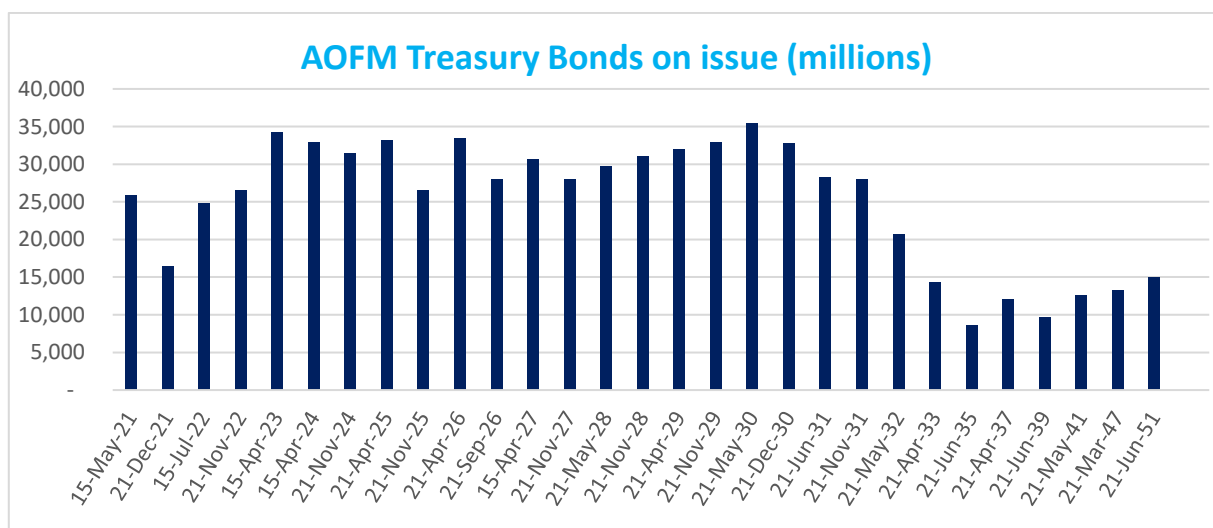
The Commonwealth Government of Australia is the issuer of Australian Government bonds. Currently there is approximately \$728bn¹ of benchmark bonds on issue, with maturities out to 30 years available. Further issuance of long dated bonds is expected in the medium term to maintain a 20 year benchmark on the yield curve.

Features

- Cash settled – 20 Year Treasury Bond Futures are cash settled against the average price of a basket of Australian Government Bonds.
- Variable tick value – 20 Year Treasury Bond Futures are traded on the basis of their yield with the futures price quoted as 100 minus the yield to maturity expressed in per cent per annum. Due to this convention the dollar value of the minimum price movement, or tick value, does not remain constant but rather changes in accordance with movements in the underlying interest rate.

For information on the pricing of the 20 Year Treasury Bond Futures contracts, please see the [ASX 24 Interest Rate Products Price and Valuation](#)² guide.

Treasury Bonds on Issue, 2 February 2021³



¹ AOFM website as at Feb 2021

² www.asx.com.au/content/dam/asx/participants/derivatives-market/ird/ird-pricing-guide.pdf

³ Source aofm.gov.au/securities/treasury-bonds



Trading ASX Bond Futures

- Trading the ASX 20 Year Treasury Bond Futures is conducted on market via ASX 24's electronic platform, ASX 24 NTP and off market through Exchange for Physicals (EFP) transactions and the Block Trade facility.
- Spread trading functionality is available for calendar and inter commodity spreads (against the 10 Year Treasury Bond Futures).
- 10 Year - 20 Year bond spread 1:1 ratio. The inter-commodity spread 1:1 ratio allows for implied in and implied out pricing providing greater opportunities for the development of on screen order book liquidity.
- Attractive spread concessions are available on calendar spreads as well as inter commodity spreads for offsetting positions held in the 10 Year Treasury Bond Futures.

Trading on ASX 24 offers the following specific benefits of exchange traded markets:

- Price transparency and liquidity
- Immediate execution and confirmation
- Reduction of counterparty risk
- Centralised clearing supported by a clearing guarantee.

The 20 Year Treasury Bond Futures are approved for trading by:

- US Commodities Futures Trading Commission (CFTC)
- UK Financial Services Authority (FSA)
- Monetary Authority of Singapore (MAS)
- Hong Kong Securities and Futures Commission (SFC Hong Kong).



Contract Specifications

CONTRACT	20 YEAR TREASURY BOND FUTURES
Commodity Code	LT
Contract Unit	Australian Government Treasury Bonds with a face value of A\$65,000, a coupon rate of 4% per annum, and a term to maturity of twenty years.
Contract Months	March/June/September/December up to two quarter months ahead.
Minimum Price Movement	Prices are quoted in yield per cent per annum in multiples of 0.0025% during the period 5:12pm on the 8th of the expiry month (or next business day if the 8th is not a business day), to 4:30pm on the day of the expiry. At all other times the minimum price increment will be 0.005%. For quotation purposes the yield is deducted from an index of 100. The minimum fluctuation of 0.005% equals approximately \$70 per contract, varying with the level of interest rates.
Contract Expiry	The 15th day of the contract month (or the next succeeding business day where the 15th day is not a business day). Trading ceases at 12:00pm.
Settlement Method	For each bond in the bond basket, ASX will take the best bid and best offer available in the market by reference to live market prices taken from bond trading venues as determined by the Exchange. The average of the best bid and best offer for each bond will be calculated at 9:00am, 9:45am, 10:30am and 11:15am. An indicative session price, calculated as an arithmetic mean, will be published after each session. The expiry settlement price will be the average of the best bids and offers from all sessions rounded to the nearest tradable increment and subtracted from 100. Expiry settlement price will be published by 12:00pm on the Last Trading Day.
Trading Hours	5:12pm-7:00am and 8:32am- 4:30pm (for period from 2nd Sunday in March to 1st Sunday in November) 5:12pm- 7:30am and 8:32am- 4:30pm (for period from 1st Sunday in November to 2nd Sunday in March)
Settlement Day	The business day following the last permitted day of trading.
Expiry Position Limit	6,500 contracts ¹

Data Vendor Access Codes²

ASX 24 Code	LT
Bloomberg	LTY <CMDTY>
Refinitiv	YLTmy

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¹ Applies to spot month net open positions, at the close of trading on the day before expiry (T-1)

² Data vendor codes are current as at February 2021. The most recent vendor codes are available at asx.com.au/prices/asx24-data_vendor_codes.htm



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